

Đokić, Milica; Marković, Ivan

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UK LABOUR MARKET DURING AND POST EU ERA – THE IMPACT OF BREXIT ON MIGRATION FLOWS¹

Milica Đokić

University of Niš, Innovation Center, Republic of Serbia

✉ milica91nis@hotmail.com

Ivan Marković

University of Niš, Faculty of Economics, Republic of Serbia

✉ ivan.markovic@eknfak.ni.ac.rs

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Abstract: Brexit represents a completely unparalleled event whose overall effects are still hard to predict and yet to fully materialize. Migration has been one of the main topics of concern for the British and of widespread public discontent with the EU membership for years. Nowadays, UK is among the areas heavily influenced by the withdrawal from the EU. The new UK migration system, introduced after Brexit, might bring significant structural changes to the UK labour market. The subject of this paper is an analysis of the migration flows before and after Brexit and of the UK labour market, in terms of share and composition of the foreign-born population, based on official national statistics and results of relevant studies. The aim is to demonstrate the impact of EU migration policy and labour market trends during the EU membership and to indicate the effects of the new post-Brexit migration system on the migration flows and employment across different sectors of the UK economy. The results of the research suggest that the end of freedom of movement for workers and new work visa schemes have initiated some major changes in the UK labour market. So far, it does seem that the new system provides certain benefits and fulfills its main objective of reducing the low-skilled migrant workforce. However, it has also resulted in considerable labour shortages in some sectors and record high numbers of immigrants.

Keywords: Brexit, international migration, labour market, immigrant workforce.

JEL classification: F22, J61, J68

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1. Introduction

Migration and its impact on the British labour market and economy have been among the most important issues for the United Kingdom (UK) over the years. Immigration played an important role in the pre-referendum debate and dissatisfaction with the existing European Union (EU) policy proved to be one of the main causes of Brexit. The general attitude of the British public was that the freedom of movement granted by the EU membership led to the loss of jobs for the domestic population and a decline in wages and productivity, especially in low-qualified jobs, due to the surge of immigrants from recent member states. Furthermore, the opinion was that the immigrant population caused a rise in real estate prices and rents because of the increased demand for housing, and enormous pressure on the public services, ultimately imposing a burden on the state budget. Considering that the UK has seen a steady rise in foreign-born population over the past 20 years, such an attitude is somewhat understandable. In fact, the UK has gone all the way from a country facing a negative net migration in the 1990s, to being the top destination for living, working and studying among a huge number of foreigners. This contributed to a notable increase in the country's workforce since the share of workers born outside the UK has more than doubled in the UK labour market between the 1990s and the 2016 referendum. Changes in the UK immigration policy during the '90s and significant expansion of the EU within the first decade of the 21st century had been a major cause. The immigration of those born outside the EU was mostly driven by the greater use of work visas, but also by changes in the rules on the migration of family members, and partly by the possibility of obtaining asylum. On the other hand, the EU immigration was mainly the result of the freedom of movement, which enabled people from new member states to enter the UK labour market. The share of the population born outside the UK went from around 9% (5.3 million people) in 2004 to 14.5% (over 9.5 million people) in 2021, despite slowing growth due to the corona virus pandemic and an increased outflow of the EU citizens, the net migration remained positive (Rienzo & Vargas-Silva, 2022). The number of EU-born did grow faster, from 1.5 million in 2004 to 3.5 million in the year ending (YE) June 2021, compared to the non-EU population, whose number ranged from 3.8 million to 6.1 million during the same period (ONS, 2021). However, regardless of the freedom of movement, numbers point out that the share of the EU migrants has been far lower than of those from the rest of the world throughout the years, implying that the EU membership cannot be the only factor to blame for the increased migration inflows.

The United Kingdom formally left the European Union on 31st January of 2020 but continued to be part of the EU single market until the end of the year, basically with the same rights and obligations as the other member states. This transition period was meant as time of preparation for the new era in the political and economic life and relations of the UK after 47 years of the EU membership. On the first day of 2021, the UK officially left the EU, its single market and customs

union, and the relationship between the two neighbors has been based on the mutual Trade and Cooperation Agreement (TCA) ever since. Withdrawal from the EU enabled the UK authorities to introduce a new migration system that would provide significantly greater control over its borders, allowing them to regulate immigration, especially of those migrants with the lowest incomes. The new system has brought the biggest changes in migration policy so far. The end of free movement for the EU residents, along with the new system could potentially cause major structural changes in the British labour market. The recently initiated system favors highly qualified and skilled individuals, regardless of the country they come from. New immigration rules, along with circumstances induced by the pandemic, caused large labor shortages in certain sectors, particularly in those with low-skilled jobs, jobs which the local population is not interested in, and which were done mostly by the EU migrants. Great uncertainty still exists when it comes to the long-term effects of Brexit on the labor market and productivity.

2. Migrants in the UK labour market – their features, position and effect on the domestic workforce

Although the total volume of immigration flows can affect the national economy in many ways, its composition is far more important. The characteristics of immigrants, such as their age, professional qualifications, level of income and reasons for migration are much more relevant than the sheer numbers. The data about the immigrant population in the UK indicates that the majority of them were adults of working age, between 26 and 64, and while EU nationals' main motive for moving to the UK was work, non-EU immigrants have most often come to the UK for family reasons, and therefore were more likely to settle permanently (Rienzo & Vargas-Silva, 2022). Studies have implied that the migrant population was on average more educated than native employees, usually much more willing to work longer hours, and had a considerably positive impact on labour productivity growth (Rolfe et al., 2013). The rising migration brought up a critical question in the years preceding the Brexit referendum – what would the position of the average British worker be like as a result of increased migration, better or worse? The overall impact mainly depends on whether immigrants complement the natives or compete with them in the labour market (Migration Advisory Committee, 2014). In particular, there can be substantial productivity growth in the host country when migrants and domestic workers provide skills and competencies that are complementary to one another. In this case, the foreign-born population will perform jobs that the natives either do not want to or do not possess the knowledge and skills for, allowing them to specialize in other areas. This is how foreign workers can also foster innovation. That would result in growth of earnings of both groups, as well as in productivity increase. On the other hand, if migrants compete with the local workforce in the labour market, this could deteriorate the

position of the domestic workers, which most often occurs through a decrease in wages. When migrants arrive from less developed countries, with much lower incomes, they are willing to work for wages that are substantially lower than those of the local population. This was particularly common among the migrants from Central and Eastern European countries. In reality, both scenarios are frequently happening simultaneously, which means that there will be winners and losers among the workers in different sectors and groups. Because of this, it is vital to consider the effects of migration on different sectors and population groups, besides the general impact on the labour market, as these might vary significantly.

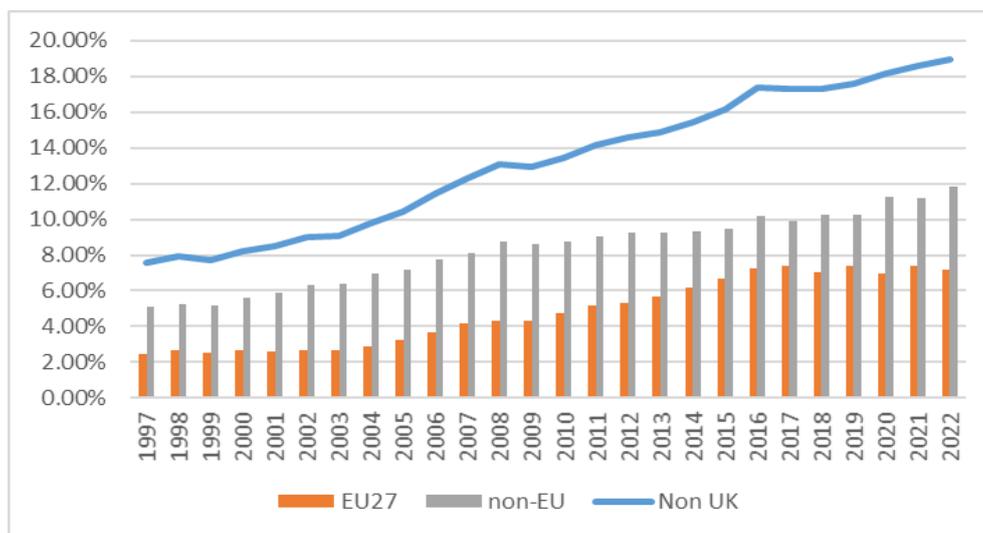
As an EU member, the UK kept its borders and labour market open to all EU citizens, ensuring the freedom of movement, without the possibility of applying selective measures. As a result, workers from other member states made up a sizable portion of the British workforce across a range of industries, with differing degrees of qualification. Nonetheless, they were primarily employed in low-skilled jobs, particularly following the accession of Eastern and Central European countries. At the same time, significantly stricter rules applied to third-country nationals who were granted work visas based on a job offer which had to ensure higher than the average salary and mostly involved high-skilled occupations. As a consequence of such policies, immigrants from non-EU countries were more likely to perform better-paid jobs, have a higher level of qualifications and be more productive than the EU nationals (Nam & Portes, 2023). The number of immigrants entering the UK increased slightly at the beginning of the 2000s, but accelerated sharply following EU's greatest enlargement in 2004 and continued when Bulgaria and Romania joined three years later. The opportunity of working in Western Europe, which was significantly more developed and offered far better working conditions and earnings potential, rapidly attracted large numbers of Central and Eastern Europeans. The volume of migration was considerably greater than anticipated. This resulted in more frequent political discussions over the effects of immigration on the labour market, as well as on the entire economy and social system.

2.1. An overview of the UK labour market trends over the years

The analysis of the UK labour market for over the past 20 years reveals that the share of the foreign-born workforce in total employment has been steadily rising, particularly after 2004 (Figure 1). By the end of 2022, their share had more than doubled, reaching nearly 19%, or 6.3 million employees, compared to the end of the '90s when it was below 8% (around 2.1 million employees). Both, the population originating from the EU and other countries, contributed to such a trend. Even though the number of the EU immigrants in overall UK employment increased steadily during the observed period, their share was consistently lower than a share of migrants from the rest of the world, but both groups increased their portion by more than twice since the end of the 20th century. The number of

employees from the EU countries ranged between 660 and 715 thousand in 1997-99 which accounted for around 2.5-2.6% of the total workforce, whereas at the end of 2022, that number was close to 2.4 million, or 7.2% of employees. During the same period, the number of non-EU workers rose from about 1.4 million, or 5.2% of the total workforce, to 3.9 million which represented 11.8% of the entire UK labour force.

Figure 1. Share of immigrants in total employment in the UK by country of birth, Oct-Dec 1997 – Oct-Dec 2022



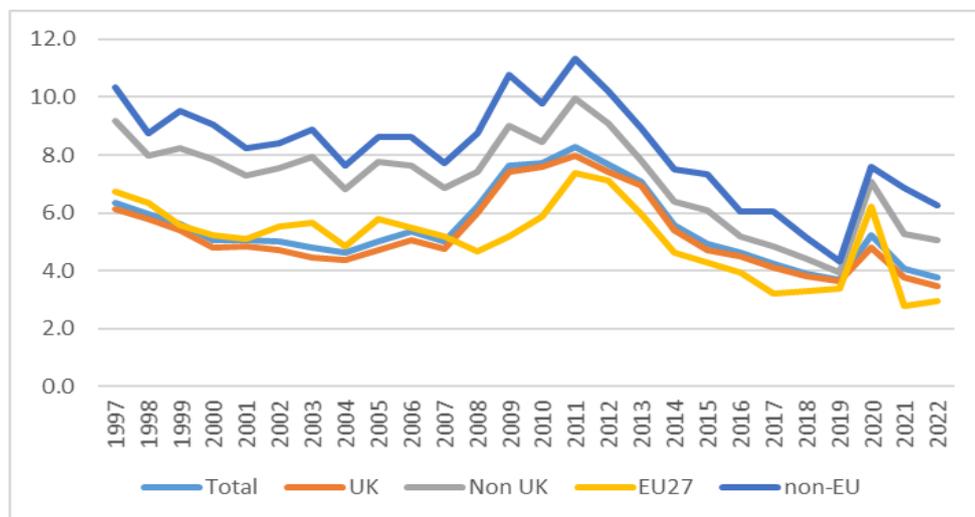
Source: Office for National Statistics²; authors' calculations

Unemployment rates followed an identical trend, whether it was about the British population or immigrants. After a significant surge in unemployment during the years of emergence and global spread of financial crisis, there has been an almost constant decline in all unemployment rates since 2011, reaching a record low level in the last quarter of 2019 (Figure 2). Turnaround and notable growth have already occurred in the following year, due to the consequences caused by the corona virus pandemic. The Office for National Statistics (ONS) reports that the overall unemployment rate for the last quarter of 2019 was approximately 3.7%, with the unemployment of the domestic population recording an identical value and the unemployment among the population born outside the UK being slightly higher, at 3.9%. With a rate of 4.3%, immigrants from non-EU countries faced the

² Office for National Statistics, A12: Employment, unemployment and economic inactivity by nationality and country of birth, Release date: 15 August 2023
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/a12employmentunemploymentandeconomicinactivitybynationalityandcountryofbirth>

highest unemployment, while the lowest rate was present among the population from the EU - 3.4%. The same period in 2020 was characterized by an increase in unemployment in all categories of the population, regardless of their country of origin. The lowest rate of 4.8% was among the natives, while the highest share of unemployment was present among the population from outside the EU, around 7.6%. From the middle of 2021, unemployment began to decrease across all demographic groups by country of origin. In the last quarter of 2022, the unemployment rate of the UK-born population, as well as of the EU-born, was lower than pre-pandemic levels, at 3.5% and 3% respectively. However, when looking at the unemployment of the overall migrant population, it remained substantially greater than before the pandemic shock, mostly driven by the unemployment of non-EU migrants which stayed high, reaching 6.3%.

Figure 2. Unemployment rates among the UK workforce by country of birth Oct-Dec 1997 – Oct-Dec 2022



Source: Office for National Statistics³; authors' presentation

Regarding the professional skills of immigrants, the evidence suggests that workers from the EU countries were more often overqualified for the jobs they did in the UK, whilst those originating from Eastern Europe were substantially more than Western Europeans (Johnston, Khattab & Manley, 2014). Numerous factors might have led to such a position of Eastern Europeans, starting from cultural differences and poor knowledge of the English language to the lack of recognition for their professional qualifications or lack of certain skills, as well as potential discrimination by employers. Besides being overqualified, immigrants from

³ Ibid.

Eastern EU countries had been consistently paid less for their work than others in similar jobs and with similar qualifications, in contrast to migrants from the West. Their Western colleagues were frequently paid beyond than anticipated for a certain job, usually earning more than the UK-born. In addition, labour market data indicates that immigrants from former EU member states (joined before 2004), likewise those from the USA, Australia, New Zealand and India, were primarily employed in professions requiring high and medium-high qualifications, usually in education, health, IT and management sector, while the migrants from the EU member states which joined in 2004 and onwards were much more likely to be in the occupations recognized as low skilled, such as those in trade, production, transportation, and working as waiters, cleaners or packers (Fernández-Reino & Rienzo, 2022). Accordingly, the migrants employed in the sectors that required a high level of education and skills earned significantly higher wages than those in jobs with a lower level of qualifications.

2.2. The influence of the migrant workforce on native workers

Over the years, there had been a lot of debate about whether migrants adversely affected the employment and earning opportunities of the local population due to the large inflow of labour force from the new member states, which was considered cheap. Despite the general public opinion that immigrants had dramatically increased unemployment and reduced wages of native workers, the majority of research has found that these effects were negligible if they existed at all, and that they were manifested only among certain categories of workers. In general, the findings indicated that immigration eventually did cause somewhat wider earnings distribution in the domestic labour market, exerting downward pressure on the lowest wages while simultaneously raising the highest ones. Specifically, examining immigration flows between 1994 and 2016, it was found that immigration decreased real wages at the 5th and 10th percentiles of the natives by 0.47 and 0.64 pence per year respectively, but induced an increase of 1.68 pence per year at the 90th percentile (Dustmann, Kastis & Preston, 2022). The same study also showed that wage inequality among migrants is significantly higher than among the British population, as well as that immigration has had a relatively minor overall impact on inequality in the UK. According to the research that considered changes in immigration and earnings across different regions, occupations, and time periods, occupation appeared to be a relatively important dimension for the assessment of the immigration impact (Nickell & Saleheen, 2015). That effect turned out to be the largest in the services sector, which has mostly employed a semi-skilled and unskilled workforce, where a 1 percent increase in the share of immigrants has caused a 0.2% decline in wages. Additionally, the study demonstrated that the impact mainly depended on the total number of immigrants, whereas their origin was of minimal importance, if any. The overall effects of immigration from Eastern EU member states on the British

labour market could actually be considered positive for the majority of the native population as many of them moved to occupations of higher socio-economic status, while migrants began to perform lower-status jobs (Becker & Fetzer, 2018). Consistent with this are the conclusions implying that the impact of new immigrants on the wages is the greatest among the current workers who are the migrants themselves, particularly the most recent immigrants who are much more vulnerable to new immigration flows, without any notable effect on the wages of native-born workers (Manacorda, Manning & Wadsworth, 2012).

The most comprehensive research and the analysis of immigration from the European Economic Area (EEA) countries and its impact on the UK economy, conducted by the British Migration Advisory Committee (2018), provided several important conclusions. Concerning the labour market, the study pointed out that there is little evidence that migration from EEA countries has, on average, reduced the employment opportunities or earnings of native workers. The total employment and unemployment rate of the British workforce is mostly unaffected by migrants, with positive effects being more prevalent in higher-skilled occupations and negative effects being more common among lower-skilled workers. Similar findings were made regarding wages, where data indicated that low-skilled workers might have faced a negative impact while high-skilled workers might have experienced certain benefits, albeit these effects were typically very small. Moreover, the study has implied that there was a favorable influence on productivity, particularly when it came to high-skilled migrants, but the results have not been entirely consistent. In addition, there has been a positive impact of skilled migrants on the level of innovation and the amount of training available to native employees.

3. The new immigration system and Brexit induced consequences on long-term international migration flows

The New Trade and Cooperation Agreement between the UK and the EU provides a visa-free regime for short-term visits and certain types of temporary business travel, mainly for high-skilled employees and independent experts, giving the service providers and investors access to the UK and the EU market (Jozepa et al., 2022). However, they may be subject to passport control and the consideration of entrance approval at the border. The rest of the EU passengers must fulfill visa requirements specified by the new migration system in order to work and live in the UK, just like any other nationals. The only EU country which is exempted from the new rules is Ireland, since it has separate immigration arrangements defined under the UK-Ireland Common Travel Area which continue to apply. Visas to the EU nationals are now being granted on the same basis as the visas to the migrants from non-EU countries before Brexit, based on criteria such as the level of qualifications, minimum salary and, in some cases, the eligibility of occupation.

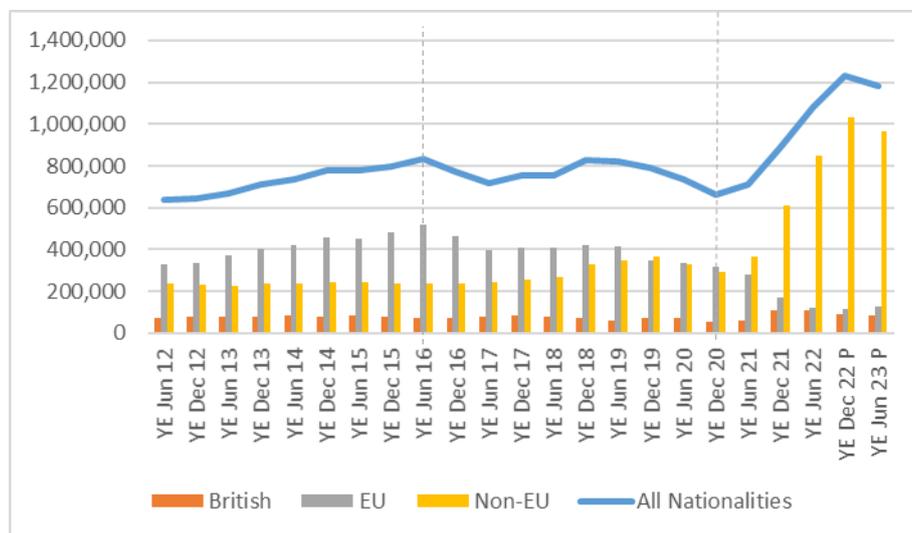
Following the new post-Brexit immigration system, British employers must meet the stipulated conditions in order to obtain appropriate permits for employing migrants, i.e. licenses that specify certain obligations and duties, which differ depending on the type of worker (Home Office, 2022). After obtaining the license, they become registered as sponsors who can hire non-UK residents. The new system compels migrants to have a confirmed job offer from a sponsor with a minimum salary of £26,200 per year or £10.75 per hour in most cases and their job must be eligible for a “Skilled Worker” visa to be able to enter and work in the UK⁴. Conditions are slightly loosened if the job is included in the shortage occupation list. The same applies to the “Health and Care Worker” visa, which was introduced in 2020, and for which requirements were significantly liberalized in 2022 due to the large labour shortage in this sector. A special scheme for the employment of seasonal workers in agriculture (for up to 6 months) has been expanded in recent years as well. The new immigration system also covers work visas for the jobs that are not guaranteed by licensed employers and that can be performed with any level of qualifications, but only for a certain period. In addition, special visa regimes apply to the individuals with a high potential who hold a degree obtained at one of the recognized international universities (High Potential Individual route) and the graduates who are already studying in the UK and have a student visa (Graduate route), that allow them to obtain a work visa for a period of 2 to 3 years and can be used for any job. Besides those, there is a Youth Mobility Scheme based on the reciprocal agreements with certain countries, which covers visas for young people aged 18 to 30-35 who want to live and work in the UK. Furthermore, there are several different visas for temporary work in the UK, for a foreign employer, for starting a business and a few other work visas and permits. This system was designed primarily to reduce the inflow of unqualified and low-paid workers, whose number was rapidly growing since the accession of Eastern European countries in 2004 and 2007, boosting the immigration flows to the UK significantly. During 2017-2019, around 50% of the EU-born workers in the UK were in occupations that would now be ineligible for the Skilled Worker visa, mostly from these member states (Henehan, 2022). What almost all of these types of work visas have in common is that they do not allow holders to use most of the public funds, by applying for the benefits or the state pension. The freedom of movement provided by the EU membership allowed migrants to have almost the same rights as the British, allowing them to change jobs or be unemployed without jeopardizing their stay in the UK, as well as to use different public funds and bring their family members. The new system implies significantly greater restrictions on these issues.

The Withdrawal Agreement ensured certain rights for the EU citizens living in the UK and the UK citizens living in any of the EU member states. These provisions were implemented within the EU Settlement Scheme (EU SS), which

⁴ <https://www.gov.uk/skilled-worker-visa>

implied that the EU citizens and their family members living in the UK could retain their rights and acquire the appropriate residence status in the UK by applying for it. Namely, the citizens of the EU countries who have five years of continuous residence in the UK have been given the right to reside permanently, in the form of a “settled status”, while those who have yet to acquire five years of continuous residence have the right to apply for the “pre-settled” status, which allows them to stay in the UK until meeting the necessary conditions for “settled status” (Macdonald & Wilkins, 2020). Similar agreements exist with other EEA countries and Switzerland, so this Scheme applies to their nationals as well.

**Figure 3. Long-term international immigration by nationality
YE June 2012 – YE June 2023**

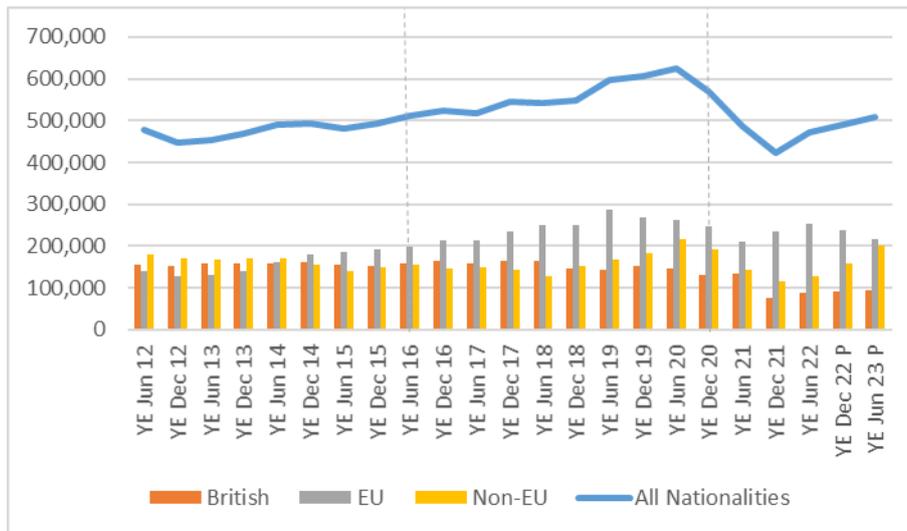


Source: Office for National Statistics (2023); authors' presentation; P-provisional

Unlike the EU citizens, new requirements appear less strict for migrants from the rest of the world than before, both in terms of minimum wages and jobs that are suitable for obtaining a work visa. Therefore, the implementation of the new migration system will most likely further increase the share of the migrant population from non-EU countries in the British labour market, which has already been on the rise in recent years (Figure 3). According to the data from Office for National Statistics (2023), after a decline in 2020, a sharp rise in the inflow of migrants from countries outside the EU began in mid-2021, reaching the record values of over one million in the year ending (YE) December of 2022. It should be noted that such high figures are largely the consequence of the huge number of Ukrainians who came to the UK via special routes, the large number of arrivals from Hong Kong due to the British National (Overseas) visa program and foreign students. On the other hand, the number of immigrants from the EU has been in

decline long before new measures have come into force. In fact, a long-term EU immigration has been falling ever since the Brexit referendum in 2016, most likely due to the depreciation of the pound sterling and enormous uncertainty about the future economic, political and social situation in the UK, although the EU migration had been very high in previous years and thus might be expected to have fallen anyway (Cuibus, 2023). After years of growth and its peak at more than half of a million in YE June 2016, the immigration from the EU started slowing down. The new migration system led to a further decrease in a number of the EU immigrants which reached its minimum in 2022 and after the slight rise remained still during the first half of 2023. The latest provisional estimates of ONS might be an early sign that immigration is slowing down and beginning to decline after the record high levels in 2021 and 2022. They show that total long-term immigration for YE June 2023 was around 1,180,000, out of which 968,000 were non-EU nationals, 129,000 were the EU nationals and the rest were of British nationality.

**Figure 4. Long-term international emigration by nationality
YE June 2012 – YE June 2023**



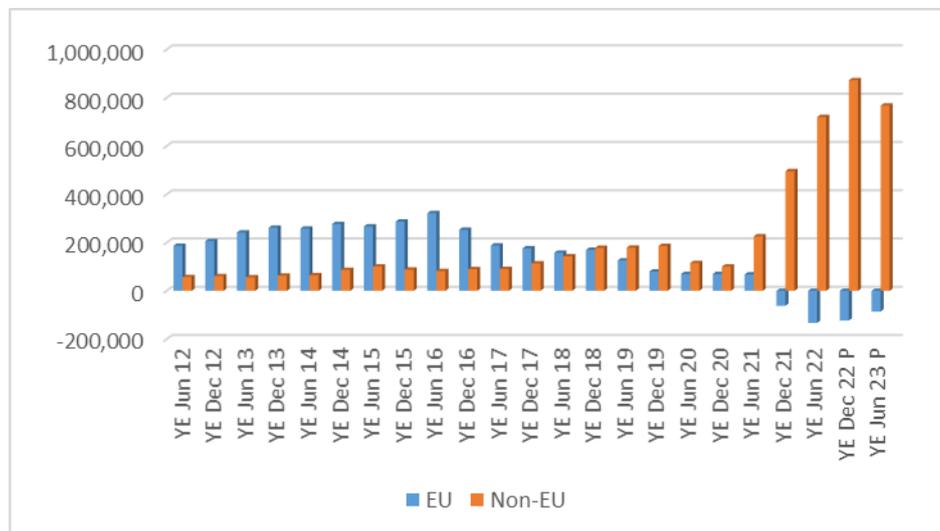
Source: Office for National Statistics (2023); authors' presentation; P-provisional

Although the lower inflow of migrants from the EU countries has been compensated by the surge of non-EU immigrants, there have been significant shortages in the labour market in recent years, especially in certain sectors. The abolition of anti-pandemic measures and the rapid increase in economic activities in 2021 caused a lack of workforce in the UK. The labour shortage was caused both by the outflow of migrants during the first wave of the pandemic, who returned to their home countries, and by the increased share of the inactive population, who had retired in the meantime or were unable to continue to work.

The emigration of the EU-born population has grown significantly for years after the Brexit referendum, reaching 287,000 in YE June 2019 (Figure 4). The implementation of the new migration system from January 2021 has not brought significant changes. Official statistics show that the lowest outflow of the EU migrants in the last 5 years was recorded during 2021 with a decline to 211,000 in YE June, after which it started to grow again. On the other hand, the population from the countries outside the EU left the UK in the largest number during the pandemic in 2020, with a sharp rise to more than 210,000 in YE June. During 2021, the non-EU outflow was in a significant decline, reaching its lowest value of 115,000 in YE December. The latest estimates indicate a slight growth in non-EU emigration over the past two years. The provisional estimate of total long-term emigration for YE June 2023 was around 508,000, consisting mostly of the EU nationals (215,000), followed by 200,000 non-EU nationals and 93,000 Britons.

Such long-term migration trends have led to a negative net migration of the EU population to the UK since 2021, which continued during the following year, reaching its peak at more than 130,000 in YE June 2022 (Figure 5). At the same time, net migration of non-EU citizens was positive with a record high numbers, especially in 2022 when the difference between long-term immigrants and those who left the UK was more than 870,000 in YE June.

**Figure 5. Long-term international net-migration by nationality
YE June 2012 – YE June 2023**



Source: Office for National Statistics (2023); authors' presentation; P-provisional

4. Implications of Brexit on British labour market and work migration

In order to determine to what extent these trends are a consequence of Brexit and what changes the new immigration system has caused in the British labour market, a couple of authors have defined a counterfactual scenario of no Brexit, by taking into account the labour market, migration and employment trends before the pandemic, and comparing it with the current situation. The research showed that the number of workers from the EU is about 460,000 lower than expected, while the number of workers from other countries is about 130,000 higher (Portes & Springford, 2023). Some sectors have suffered significantly higher losses than others. The biggest shortfalls of EU workers were recorded in Transportation and storage, with about 128,000 or 8.45% of total employment in the sector, followed by Wholesale, retail and repair of motor vehicles, about 103,000 which is 2.79% of overall sector employment, then in Manufacturing around 47,000 which represents 2.79% of total employment and in the Accommodation and food sector, which has potentially lost 67,000 workers or 4.08% of its total labour force (Table 1). Not only has the number of employees from the EU been significantly lower in those areas, but the number of non-EU workers has been insufficient as well, although the lack of this group is much smaller compared to the no-Brexit scenario. In other areas, especially those with highly qualified and paid workers, the situation is somewhat different. In the sector of Information and communication, the shortfall of EU workers is compensated by an increased number of employees from other countries, in the Financial services sector there is a lack of workforce from both groups, in the field of Professional, scientific and technical services a huge shortage of employees from the EU is partially offset by growth in non-EU workers, while the Education has been the only field with a significantly higher number of employees from both groups. Labour shortage in the Health sector that occurred during the pandemic, which was partly caused by the loss of EU workers, was successfully neutralized by a huge number of workers from the rest of the world.

The research also showed that the number of work visas issued under the new system in sectors with predominantly lower-skilled workers, such as Manufacturing, Hospitality, Wholesale and retail, is not enough to compensate for the shortfall of workers from the EU. As the authors conclude, this suggests that, contrary to the pre-Brexit era, the new visa sponsorship system does not significantly facilitate migration for work. When it comes to sectors with a highly qualified workforce, it has been shown that the new visa regime provides better support and enables an approximate level of openness as before, especially in the field of Finance and insurance and Professional, scientific and technical services, while to some extent less in Education and Information and communication sector.

Table 1. The change in employment of the EU and non-EU workers across sectors compared to the no-Brexit scenario 2020-2022

Sector		Gain/loss of workers under new system	Gain/loss as % of total sector employment
Transportation and storage	EU	-128,000	-8,45%
	Non-EU	-3,100	-0,20%
Wholesale, retail, repair of motor vehicles	EU	-103,000	-2,79%
	Non-EU	-17,000	-0,46%
Manufacturing	EU	-47,000	-1,73%
	Non-EU	-7,900	-0,29%
Accommodation and food	EU	-67,000	-4,08%
	Non-EU	-31,000	-1,86%
Construction	EU	-46,000	-2,17%
	Non-EU	-6,600	-0,31%
Administration and support	EU	-32,000	-2,26%
	Non-EU	-22,000	-1,56%
Finance and insurance	EU	-12,000	-0,84%
	Non-EU	-5,500	-0,39%
Public administration and defence	EU	-5,800	-0,23%
	Non-EU	25,000	0,99%
Professional, scientific, technical services	EU	-48,000	-1,79%
	Non-EU	23,000	0,85%
Information and communication	EU	-9,000	-0,55%
	Non-EU	20,000	1,22%
Health and social work	EU	-1,700	-0,04%
	Non-EU	74,000	1,65%
Education	EU	42,000	1,20%
	Non-EU	58,000	1,68%

Source: Portes & Springford (2023); adjusted by authors

The total number of work visas issued was record high in the past years. According to the latest data from Home Office (2023), the number of visas granted for long-term stays in the UK has grown significantly under the new migration system, doubling the numbers from the pre-pandemic period (Table 2). This was mainly the result of a large increase in work and study visas which surpassed the pre-pandemic levels in 2021 already, and have kept growing in the following year. The number of work visas issued in 2022 went beyond 420,000 which represented a growth of 140% and 119% compared to 2018 and 2019 numbers respectively, while student visas reached a peak at more than 620,000, recording a growth of

76% and 54% compared to the same years. The number of permits granted to people from the EU, Switzerland, Norway, Iceland and Liechtenstein through the EU Settlement Scheme increased gradually from 2019 until 2021, when was the deadline for the majority of them to apply to the Scheme, declined afterward. High numbers of immigrants have been partly a matter of special routes for British Nationals (Overseas) from Hong Kong and their families initiated in 2021, as well as of visa support schemes for Ukrainian nationals established in 2022. All of these led to the exceptionally high number of total visas issued in 2022 which was beyond 1.4 million. After the initial surge of immigrants from Ukraine in 2022, the number of visas granted within humanitarian routes declined in 2023. The data for the first three quarters of 2023 also indicate that the inflow of international students might be slowing down. On the other hand, the number of workers coming to the UK has already exceeded the overall number from the previous year.

Table 2. Number of visas issued by type, excluding visitor visas (2018-Q32023)

Visa type	2018	2019	2020	2021	2022	Q1-Q3 2023
Work visas	175,812	192,559	114,528	239,193	421,565	474,486
Study visas	354,878	404,410	250,121	435,110	623,698	526,804
Depend. joining or accompanying	6,673	9,403	7,342	8,921	5,007	3,636
Family	43,620	55,643	37,087	42,182	47,119	63,294
BN(O) route & Ukraine Visa Sch.	-	-	-	75,579	263,400	57,413
EU SS permits	-	6,600	19,015	55,275	32,209	13,956
Other	81,373	89,563	32,955	41,708	34,537	34,304
Total	662,356	758,178	461,048	897,968	1,427,535	1,173,893

Source: Home Office (2023); authors' presentation

However, that did not seem to be enough to meet all the needs of the British labour market. A study published in June 2023 that investigated the impact of the end of freedom of movement on four sectors most reliant on the workforce from the EU – Transport and logistics, Agriculture, Hospitality and Manufacturing – found that all surveyed organizations have been faced with shortfall of workers (Migration Advisory Committee, 2023). Apart from the termination of freedom of

movement in January 2021, the consequences of the coronavirus pandemic, which were already widely present in all areas of society and the economy, have been identified as the causes of difficulties in finding and retaining workers. Many organizations had to implement new strategies to attract and recruit suitable workers, while others faced bigger challenges in keeping the existing employees. Furthermore, the study implied that employers reoriented themselves to the domestic workforce, and to attract new workers they most often tried to improve working conditions, but without a significant increase in wages. In order to reduce the labour-intensiveness of work, the employers considered the automation and the ways it could be implemented, but the majority agreed that it was not able to solve the problem of labour shortage in the short term. Reducing production was the last considered option for most organizations. In addition, many employers are not adapting quickly enough to the increasing challenges in the labour market and despite having difficulties in finding well-qualified employees, only 15% of them have started to use the new immigration system and have employed foreigners so far (CIPD, 2023). Time, administration and costs that recruitment through the new visa system requires have been labeled as the most common obstacles, alongside the lack of organizational knowledge and capacities for it.

Ultimately, while it is quite certain that the end of freedom of movement has contributed to the labour shortage in the UK labour market, it cannot be recognized as the sole cause. The experiences of other countries prove it too. Many other advanced economies have encountered labour market tightness and faced similar problems without changes in immigration policy (Duval et al., 2022). Besides that, the effects have varied considerably, so certain economic sectors and regions have been significantly more affected by this change than others. Despite the fact that labor shortages would be temporary and resolve themselves in many cases, the end of freedom of movement might have long-term effects on those employers and areas that have relied heavily on workers from the EU, and where it has been impossible to reduce their labour needs through other alternatives such as automation (Sumption et al., 2022).

5. Conclusion

Considering that the new UK immigration policy and visa system has been operating for little longer than three years, it is still very early to make the final judgment about its success. Furthermore, it is very difficult to isolate and precisely determine the effects of the new system, separated from the impact of other factors since both Brexit and the implementation of a new immigration system occurred under peculiar circumstances. Firstly, a pandemic like never seen before in recent history, and secondly, an escalation of conflicts in Eastern Europe, both of which have had a significant impact on population movements. Although the new migration policy and measures were expected to reduce the number of immigrants,

it has not happened. Given that the number of immigrants from the EU has decreased significantly under new visa conditions, while the number of immigrants from non-EU countries has increased far more than anticipated, it is evident that the end of freedom of movement has had a greater influence than the pandemic-induced changes. However, so far it does appear that the new system has succeeded in its primary aim of attracting highly educated and skilled workers while reducing the number of low-qualified immigrants. Nevertheless, this kind of policy has led to severe labor shortages in several sectors, particularly in those which predominantly included low-skilled workers, who were formerly from the EU countries for the most part. Nowadays, the majority of them find it impossible to obtain a work visa under the new system, whereas many employers face difficulties in getting the sponsor license to be able to hire foreign workers; therefore, which way the UK policymakers are going to address these problems remains to be seen. Some of the issues may resolve themselves over time, as labour market adjusts to the new circumstances. The lack of workers from the EU might be offset by the domestic workforce or by migrants from the rest of the world. On the other hand, British employers might mitigate the need for human labour in general by higher automation where it is possible while trying to avoid the reduction of economic activity. Will the new system enable desired changes and transformation of the UK's labour market and improve the position of the British, only time will tell.

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BRITANSKO TRŽIŠTE RADA TOKOM I NAKON EU ČLANSTVA – UTICAJ BREGZITA NA MIGRACIONE TOKOVE

Rezime: Bregzit predstavlja potpuno jedinstveni i neuporediv događaj čije je ukupne efekte još uvek teško predvideti i koji će se tek u celosti realizovati. Migracije su godinama bile jedna od važnih tema za Britance i predmet široko raspostranjenog nezadovoljstva javnosti članstvom u EU. Danas je UK među oblastima koje su pretrpele velike promene izlaskom iz EU. Novi migracioni sistem Ujedinjenog Kraljevstva, uveden nakon Bregzita, mogao bi doneti značajne strukturne promene na britanskom tržištu rada. Predmet ovog rada je analiza migracionih tokova pre i posle Bregzita i tržišta rada UK, u pogledu učešća i strukture migrantske populacije, na osnovu zvaničnih statističkih podataka i rezultata relevantnih istraživanja. Cilj je da se pokaže uticaj migracione politike EU i trendovi na tržištu rada tokom članstva u EU i da se ukaže na efekte novog migracionog sistema na migracione tokove i zaposlenost u različitim sektorima privrede UK. Rezultati istraživanja sugerišu da su ukidanje slobodnog kretanja radne snage i nove šeme radnih viza pokrenule velike promene na tržištu rada UK. Za sada, čini se da novi sistem pruža određene koristi i ispunjava svoj glavni cilj smanjenja priliva niskokvalifikovanih radnika. Takođe je rezultirao značajnim nedostatkom radne snage u pojedinim sektorima i rekordno visokim brojem imigranata.

Ključne reči: Bregzit, međunarodne migracije, tržište rada, migrantska radna snaga

Authors' biographies

Milica Đokić is a PhD student at the Faculty of Economics and is currently employed as a research associate at the Innovation Center, University of Niš. She is a member of Serbian Marketing Association and Society of Economists "Ekonomika", Niš. She has participated in numerous projects implemented by the Faculty of Economics, Innovation Center and NGOs, including projects funded by the Ministry of Science, Technological Development and Innovation of the Republic of Serbia. She is the author of several scientific and research articles and chapters in various domestic and international publications. The main fields of her scientific interest are international economic relations, international business, business management and entrepreneurship.

Ivan Marković is a full professor at the Faculty of Economics, University of Niš. He teaches courses on International Economics, Foreign Trade Management, International Finance and International Trade. He is the author of large numbers of professional and scientific articles in domestic and foreign journals. His scientific interest is related to the European Union and International Economics.